PHILIP MORRIS COMPANIES INC.

October 2, 1997

PHILIP MORRIS' STATEMENT OF POSITION

We are entering into an historic resolution of much of the controversy that has been focused on tobacco and its use in the United States. The resolution should be the beginning of a new era for the industry and its relationship with the public and government. Hopefully, it will be an era characterized by cooperation and agreement. We are fully committed to the objective of discouraging and reducing underage smoking, as embodied in the terms of the comprehensive agreement we entered into on June 20, 1997. We support and will work for passage of legislation incorporating all the provisions of that agreement, including the required new health warnings. In this regard, we have been asked by various Members of Congress, Attorneys General, representatives of the public health community, and others, to state our views on a number of issues related to tobacco, and we are pleased to do so.

Causation

We recognize that there is a substantial body of evidence which supports the judgment that cigarette smoking plays a causal role in the development of lung cancer and other diseases in smokers. We previously have acknowledged that the strong statistical association between smoking and certain diseases, such as lung cancer and emphysema, establishes that smoking is a risk factor for and, in fact, may be a cause of those diseases. For example, of all the risk factors for lung cancer that have been identified, none is more strongly associated with the disease, or carries a greater risk, than cigarette smoking; a far greater number of smokers than non-smokers develop lung cancer.

Despite the differences that may exist between our views and those of the public health community, in order to ensure that there will be a single, consistent public health message on this issue, we will refrain from debating the issue other than as necessary to defend ourselves and our opinions in the courts and other forums in which we are required to do so. For that reason, we are also prepared to defer to the judgment of public health authorities as to what health warning messages will best serve the public interest, as reflected in the proposed new health warnings.

"Addiction"

We recognize that nicotine, as found in cigarette smoke, has mild pharmacological effects, and that, under some definitions, cigarette smoking is "addictive." The word

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"addiction" has been and is currently used differently by different people in different contexts, and the definition of the term has undergone significant changes over the past several decades. In 1964, for example, the Advisory Committee to the Surgeon General of the United States concluded that smoking, although "habit forming," did not fit within its definition of "addiction." However, in 1988, the Surgeon General redefined the term, and concluded that smoking is "addictive." We have not embraced those definitions of "addiction" which do not include historically accepted and objective criteria, such as intoxication and physical withdrawal, as important markers.

We acknowledge that our views are at odds with those of the public health community, but in the last analysis there is little point to a continuing public debate about the definition of a word used both colloquially and technically to describe many different kinds of behavior. We continue to believe that people can quit smoking if they resolve to do so, but we recognize that it can be difficult to quit. Accordingly, to ensure that there is a single, consistent public health message on the issue of addiction, we will refrain from debating the issue other than as necessary to defend ourselves and our opinions in the courts and other forums in which we are required to do so, and we will also defer to the judgment of the public health authorities as to what health warning messages concerning addiction will best serve the public interest, as reflected in the proposed new health warnings.

Environmental Tobacco Smoke

The proposed warnings relating to environmental tobacco smoke (ETS) accurately reflect the views of the Environmental Protection Agency, the Surgeon General and certain health authorities. While we believe that the evidence with respect to ETS is not persuasive, nevertheless, we are again prepared to defer to the judgment of public health authorities as to what ETS health warning messages will best serve the public interest, as reflected in the proposed new health warnings.

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